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Dear Client:

**When the Texas Senate Select Committee on Property Tax Reform and Relief released its report this week designed to hold down your city property taxes, it immediately unleashed a firestorm of opposition, primarily from many cities, including Austin. Right now, it's just a recommendation that will be considered by the Texas Legislature when its members descend upon Austin next month. But if the negative reaction is any indication, it will be a hot topic.**

The proposal is a 4% *revenue* cap on property taxes levied by Texas cities. It recommends the cap could be exceeded only by asking local voters if they approve such a move. If this had been the law over the past decade, **the cities of Austin, San Antonio, San Marcos and New Braunfels would have lost at least \$770 million**, according to a joint statement from the cities.

While holding down the increase in property taxes may seem on the surface a good move, it appears to be targeting the wrong culprit, say the cities. According to the Texas Municipal League (TML) **“cities are not the cause of high property taxes in Texas.** Cities only get 16% of the property taxes paid by Texans (in Austin, it's 20%), while **55% is levied by school districts.”**

**“Legislators don't want to deal with the real cause of high property taxes – the school finance system – because the legislature depends on rising school property taxes to balance the state budget,”** charges the TML. (Check the Archives for the 2<sup>nd</sup> item in our 10/28/16 edition to get more detail on the school/city property tax imbalance.)

**“Under the ‘Robin Hood’ funding scheme, 230 school districts are forced to send part of their property taxes to the state treasury this year,”** the TML noted. Locally the large Austin and Eanes school districts, for example, send millions of their property tax dollars to the state to be re-distributed.

Austin Mayor **Steve Adler** weighed in by claiming “if the legislature really wants to help local taxpayers, **it should better fund education because that's most of the Austin property tax bill.**” Adler picked up on the argument many cities make – especially the fastest-growing cities -- when he raised the specter of what less revenue would do for the Austin city budget. **“We should not risk police, firefighting, EMS, parks, safety nets and transportation projects – all to save Austin homeowners only \$2.60 a month. It's risky and not real tax relief.”**

**It's not stressed nearly enough, but the 140-day Texas legislative period starting January 10, 2017 is of vital importance to the Austin economy. At the end of the session, money will be locked-down for payrolls for tens of thousands of Austinites until the fall of 2019. And a major move occurred this week that could positively impact state finances. We're talking about potential increasing state tax revenue from a hammered Texas shale oil business.**

For the past 2½ years, the Texas shale oil business has been gutted by bankruptcies, writedowns, credit downgrades and layoffs, according to *Bloomberg Business News*. Now, late this week, *Bloomberg News* ran this headline: **Texas Shale is Big Winner as OPEC Deal Brightens Oil Outlook**. What led to this bright outlook? Again, from *Bloomberg*:

“Abandoning a policy that sought to starve shale explorers and other high-cost drillers into submission, the Organization of Petroleum Exporting Countries (OPEC) **relented on Wednesday and agreed to curb output**” of oil. “Other producing nations that aren't cartel members also signaled plans to cut back.”

Consider these comments from oil and energy experts: “The deal could boost prices through at least the first half of 2017” ... “U.S. production growth is all but guaranteed to return in 2017.” And a Texas specific reference: **“All U.S. tight-oil plays will benefit, but none more than the Permian, where we estimated as many as 150 rigs could be reactivated next year.”**

The effects of the Middle Eastern action were felt immediately. **“Crude prices soared as much as 10% in New York ... swelling the U.S. oil industry's market value by \$81.3 billion,”** according to *Bloomberg*.

These expert comments and actions, plus exhaustive examination by the Texas Comptroller's Office, will be part of a recommendation from the Comptroller on **how much money Texas should have available over the next biennium**. By law, the Legislature cannot exceed the Comptroller's estimate as it sets its budget allocations. **So, more anticipated tax revenue is good news for Austin-based state agencies, with their vast number of employees.**

The economic impact is more than just anticipated increased state tax revenue. For instance, as *oil* drilling ramps up, more *natural gas* will also flow. This could have the effect of driving down a 2-year high in the price for natural gas. While oil prices go up, gas prices can go down. **Natural gas is used by many utilities to produce electricity. Cheaper natural gas is good news for utilities and its electricity customers.** Are you listening, Austin Energy?

Beyond all this, a renewed vigor in the oil business also should spread a lot of money through the Texas economy. Oil companies will increase their investments and hire workers who will spend their paychecks. Also individual investors do well. For instance, shale pioneer **Harold Hamm** (who is a **Donald Trump** adviser, by the way) found himself \$3.1 billion richer this week as the value of the shale company he leads soared 23%.

**The state government and the federal government are making moves to clamp down on Sanctuary Cities – cities that have lax policies on deportation of those who are here illegally. San Francisco, Chicago and New York proudly proclaim they are sanctuary cities, and defiantly declare they will not enforce certain immigration laws. Is Austin a Sanctuary City? This will become financially important to Austin within the next six months.**

Under President **Donald Trump**, the US will likely threaten to withhold *massive federal dollars* from sanctuary cities that do not enforce immigration laws. Governor **Greg Abbott**, this week said he'll ask the state legislature to *withhold state funds* as well. What about Austin?

**As far as we know Austin has not declared itself a Sanctuary City.** In fact, the outgoing sheriff of Travis County cooperated with ICE (the immigration enforcement agency), allowing them unfettered access to the county jail to come in and **take illegal immigrants who have been jailed for various crimes into their custody, to face possible deportation.** But he decided not to seek re-election and his term ends in less than a month.

Every one of the candidates who ran to replace him **condemned his practice of cooperation with ICE.** His successor, **Sally Hernandez**, will take office in January. She was dubbed “Sanctuary Sally.” In fact, she was quoted as saying **“the sheriff’s office will not be a part of a deportation force which sacrifices hundreds and thousands of people – our neighbors – to a broken federal immigration system.”**

So it appears the battle lines may be drawn between Austin and the feds/state over enforcement of the immigration laws – **with money to fund local programs hanging in the balance.** It will be interesting to see how the Texas Legislature will define a “Sanctuary City” and to see if Austin fits that definition.

**Austin’s tech growth is continuing. So what else is new? Well, as far as its impact on real estate in the Austin area, it may be reaching a “maturity” level. But this hasn’t hindered the rising cost of tech space, especially in the northwest sector.**

This is the view of commercial real estate company CBRE, that publishes an annual Tech-Thirty list, which analyzes the **30 leading tech markets in the US and Canada in terms of high-tech software/services job growth.** Austin held steady at #3 on the list.

“Mature tech companies continue to cluster in the Northwest submarket, which has a lot going for it – **extensive development in The Domain offers new amenities to support talent recruitment and retention,** while residential development is booming in the surrounding suburbs,” reported CBRE.

**First it was Bergstrom Air Force Base (BAFB) before it was Austin-Bergstrom International Airport (ABIA). The airbase was an integral part of the US military effort, serving at one time as the home base for nuclear-armed bombers and huge tanker planes that could refuel the bombers in flight. BAFB was so important that Nike Missile installations were built on the outskirts of Austin to intercept any possible attackers on BAFB. The military construction is impacting today's expansion of ABIA.**

While heading to the airport this busy holiday travel season, you may see huge heavy duty hydraulic construction equipment hammering away – **removing concrete that is up to 16 inches thick.** Excavator vehicles will be moving around the site, hauling away more than 18,000 tons of concrete debris so far. This is to dig out for the foundation and utilities for the **9-gate expansion on the terminal's east side.**

Your travel should not be inconvenienced by this part of ABIA's expansion. In fact, a new airport facility may make your trip more worthwhile. We're talking about the **new Park and Zoom that will offer up to 2,000 covered parking slots.** But parking is not all that is offered at the facility across from the onsite Airport Hilton (the circular hotel building was once the HQ for the 12<sup>th</sup> Air Force).

Not only will you be able to take a shuttle that runs every 3-5 minutes to the terminal, but you can check your flight on flat screen TVs. **Oh yeah, it has free EV chargers for your electric vehicle while you're away. Also, you can get a car wash & detail, oil & filter change, etc.** Just tell 'em what you need. When you return and pick up your serviced chariot, head toward the exit to get your free chilled bottle of water.

Parking charges range from \$9.95 or Valet for \$12.95. **You can join their Zoom Club to earn free parking.** You get the picture.

**Dr. Louis Overholster** says "I don't believe there's any problem in this country, no matter how tough it is, that Americans, when they roll up their sleeves, can't completely ignore!"

Sincerely,



Editor/Publisher